

New York, N. Y.

June 22nd, 1942

To the Stockholders of

PHILIP MORRIS & Co. LTD., INCORPORATED:

The Consolidated Balance Sheet of your Company as of March 31, 1942, and its Consolidated Income Statement for the fiscal year ended on that date, are submitted herewith.

Consolidated net earnings for the year were \$7,792,565.43 as compared with consolidated net earnings of \$7,360,668.92 for the previous fiscal year, despite increases in many items of cost and an increase of over \$3,500,000.00 in Federal Income and Excess Profits taxes. This result has been possible only through a sharp increase in sales volume, which was, roughly, 29%.

Dividends of \$5.00 per share were declared on the Common Stock and \$4.25 per share on the Cumulative Preferred Stock, 4¼% Series.

During May, 1942 the sale of \$6,000,000.00 principal amount of Twenty Year 3% Debentures, due May 1, 1962, and of 49,666 shares of Cumulative Preferred Stock, 4½% Series, was successfully consummated. The proceeds therefrom, amounting to \$10,936,311.00 after all underwriting commissions, were deposited to the credit of the Company, and bank loans outstanding amounting to \$8,000,000.00 were paid. The balance of the proceeds, less related expenses, will be added to the general working capital of your Company.

PHILIP MORRIS Cigarettes are, of course, your Company's principal product, but it also manufactures MARLBORO Cigarettes, ENGLISH OVALS Cigarettes and REVELATION and BOND STREET Smoking Tobaccos. Your support of these products is a very valuable aid to the continued growth of your Company.

Faithfully yours,

O. H. CHALKLEY,

President

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